

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE:** 17 JUNE 2022**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**SUBJECT:** LGPS UPDATE (BACKGROUND PAPER)**SUMMARY OF ISSUE:**

This report considers recent developments in the LGPS.

RECOMMENDATIONS:

1. The Pension Fund Committee is asked to note the content of this report:

REASON FOR RECOMMENDATIONS:

The report provides background information for the Committee.

DETAILS:**Boycotts Divestment and Sanctions**

1. An amendment was made to the Public Service Pensions and Judicial Offices Bill, which received Royal Assent on 10 March 2022 to become the [Public Service Pensions and Judicial Offices Act 2022](#). The amendment allows the Secretary of State to issue guidance to administering authorities instructing them not to make investment decisions that conflict with the UK's foreign and defence policy. No changes are necessary now and would only be necessary if Department for Levelling Up, Housing and Communities (DLUHC) issues guidance or directions, which would be subject to the usual 12-week consultation process. Further measures in this area will be introduced by the Boycotts, Divestment and Sanctions Bill, more on this can be found on the [Scheme Advisory Board \(SAB\) website](#). The main purpose of the Public Service Pensions and Judicial Offices Act 2022 is to give the relevant government departments the regulation powers to resolve the discrimination identified in the McCloud judgement.
2. Following the introduction of [The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 2\) Regulations 2022](#), which came into force on 1 March 2022, DLUHC sent a letter to all LGPS Committee Chairs on 9 March 2022 urging all parties to keep up to date with the list of Russian sanctions which is expected to grow. Again, more information is available on the [SAB website](#) together with the letter from DHULC. The Pensions Regulator has also [published guidance](#) for trustees regarding the conflict, outlining TPR's expectations and areas for consideration.

Pension Scams – new restrictions on transfers

3. The DWP have confirmed they may make changes to [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulation 2021](#) which were effective from 30.11.2021. The changes would mean that the presence of low-risk overseas investments would no longer constitute as an amber flag. The Government is considering what changes could be made which would still maintain the initial intent of protecting members from potential scams.

4. Collective Money Purchase Schemes (CDC) are planning to be introduced by the Government later this year or early 2023. Transfers to such schemes are safe under The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 as long as they are authorised and listed by TPR. As part of creating the legislative framework for this type of scheme, the Government has published the draft [Occupational Pension Schemes \(Collective Money Purchase Schemes\) Regulations 2022](#), which will need to be approved by both houses of parliament in order to become law.

LGPS updates

5. The annual updates for rates and bands effective from April 2022 can be found in [bulletin 221](#).
6. The [new member website](#) and new LGPS branding have now been launched. Redirects will be in place on pages of the old website for at least 12 months and administering authorities will need to update their websites, guides or documents with any existing links to the old site.
7. The LGA forwarded [a letter](#) to administering authorities on 22 March 2022 regarding DLUHC's recommendations on how administering authorities should factor the McCloud remedy in the 2022 triennial valuation.

Department for Levelling Up, Housing and Communities (DLUHC)

8. On the 2 February 2022, the Government published their [policy paper on Levelling Up](#) in the UK. The White Paper sets out how the Government will spread opportunity more equally across the UK and states an ambition for LGPS funds and pools to invest 5% of their assets in projects to support local areas. It is understood that it will be mandatory for pension funds to have a plan for this but not mandatory to meet the target 5%. It is also understood that local does not necessarily mean local to the fund's area but within the UK. However, what is not clear is if a fund already has 5% invested in local areas, if a further 5% is required or if this is inclusive. A consultation is expected this summer, which is thought will also cover the outstanding climate and risk reporting regulations and pooling guidance, with further details emerging over the coming months.

Department of Work and Pensions (DWP)

9. Published a [consultation on the draft Pensions Dashboards Regulations](#) which ran from 31 January 2022 to 13 March 2022. The draft regulations set out the requirements to be met in order to deliver the dashboards and proposed staging deadlines for pension schemes. The proposed staging date for the LGPS is April 2024, which raises concerns given the McCloud remedy regulations are expected to come into force in October 2023 and authorities will already be under pressures with this. The proposed regulations did not also include refunds, whereas this was an expectation given the aim of the dashboards are to reunite people with their pensions. There were a number of other concerns raised some of which are:-
 - a) The ability to provide information where schemes have not yet been informed a member has joined, or the member has not been in the scheme for a year therefore schemes would need to obtain further information, affecting the schemes response time on which they are to be monitored.
 - b) Lack of clarity concerning pension credit members and deferred pensioner members (former tier 3 ill health cases).
 - c) Lack of clarity on who will provide data for in house AVCs.

10. The drafted Regulations propose to delegate authority to the Money and Pensions Service (MaPS) to set standards. The [PDP has provided early information on these standards](#), which will be consulted on later this year, but they cover:-
 - a) Data, being data elements and formatting requirements that must be followed when returning the data to the dashboard.
 - b) Technical, how dashboards must connect to pension schemes and MaPS.
 - c) Design, how the data is to be presented on the dashboards.
 - d) Reporting, the information schemes must keep and be able to report to MaPS and regulators regarding compliance and performance.
11. Published their review of the [automatic enrolment trigger for 2022/23](#) which confirmed this will remain at £10,000 and is a real term decrease in the value of the trigger. The Government estimates this will bring 17,000 more savers into pension savings compared with increasing the trigger in line with average wage growth.
12. In accordance with the Pensions Act 2014, the Government must review the State Pension age every six years and a report for the review must be published by 7 May 2023. As part of this the Government commissioned an independent report making recommendations to the Government on the metrics to be considered when setting the State Pension Age for the future. The DWP launched [a call for evidence](#), which closed on 25 April 2022, to gather views from members of the public and interested parties on various points.

Scheme Advisory Board (SAB)

13. The SAB obtained a legal opinion on the prepayment of primary employer and/or employee contributions in response to a request from an administering authority. In brief the opinion found no legal barriers for prepayment of these contributions but makes clear that any prepayment should be taken on the basis of 'reasonableness, proportionality and prudence'. The full opinion and further information can be found on the [SAB website](#).

Local Government Association (LGA)

14. Jeff Houston, Head of Pensions at the LGA retired on 31 March 2022 and his replacement is Joanne Donnelly.

Pensions Dashboard Programme (PDP)

15. The PDP have appointed Didentity as its interim identity service supplier, being part of the dashboards digital architecture.

The Pensions Regulator (TPR)

16. Have updated their [guidance on communicating and reporting](#) to reflect the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to refer members to Guidance etc) (Amendment) Regulations which comes into force on 1 June 2022. Whilst this is predominantly aimed at Defined Contribution Schemes, it will have an impact for members with in house AVCs.

The Pensions Ombudsman (TPO)

17. Published three new [member factsheets](#) on their website being, pension scams, ill health pensions and death benefits.

18. Established a [Pensions Dishonesty Unit](#) in response to recent high value determinations. The Unit will investigate allegations of serious breaches of trust, misappropriation of pension funds and dishonest or fraudulent behaviour by pension scheme trustees.

HMRC

19. Published [Pension Schemes Newsletter 137](#) on 28 February 2022, which contained an update on the Managing Pension Schemes service and that schemes must be enrolled in order to migrate and provide up to date information with further guidance on the new features being added to the service in due course.
20. Published a consultation on [draft regulations](#), The Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022. The consultation ran from 18 February 2022 to 15 March 2022 and the regulations are in addition to the changes introduced by the [Finance Act 2022](#) which received Royal Assent on 24 February 2022. The changes will apply to members of all UK pension schemes with particular relevance to the LGPS when dealing with McCloud remedy and a pension input amount for a previous year has changed. Following the consultation amendments were made and [The Registered Pension Schemes \(Miscellaneous Amendments\) Regulations 2022](#) came into force on 6 April 2022.
21. The [Finance Act 2022](#) also introduces under Section 10, the change to the normal minimum pension age (NMPA) from age 55 to age 57 with effect from 6 April 2028. The Act also provides for a protected pension age for those who meet conditions with the ability for schemes to allow a protected pension age. It is not yet known if the DLUHC will introduce such protection under the LGPS Regulations.

CONSULTATION:

22. The Chairman of the Pension Fund Committee has been consulted on this report.

RISK MANAGEMENT AND IMPLICATIONS:

23. None.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

24. None.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

25. The Director, Financial and Commercial is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

26. None.

EQUALITIES AND DIVERSITY

27. There are no equality or diversity issues.

OTHER IMPLICATIONS

28. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

29. No next steps are planned

Contact Officers:

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Consulted: Pension Fund Committee Chairman

Annexes:

None

Sources/background papers:

None

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